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SUBJECT: BABIL: HILLAH MARKETS ABOUND WITH AFFORDABLE IMPORTS

¶1. This is a PRT Babil Cable.

¶2. Summary. Hillah markets and shops abound in imported consumer goods, most of which are affordable to average citizens. Open air produce markets typically stock an abundance of mainly Syrian and Iranian fruits and vegetables. Consumers face no shortage of appliances. Retailers report a brisk trade in cheap imported clothing. Noticeably absent from stalls are Iraqi products, which shopkeepers cite as too expensive and uncompetitive. Although hard to gauge precisely, supply and demand in consumer goods appear to be in balance in Hillah. End Summary.

¶3. Hillah, the capital and largest city in Babil province, is home to some 500,000 people. Open-air markets and shops abound in imported consumer goods. Observation and anecdotal evidence indicate no shortage of long-lasting consumer products, including air conditioners, air coolers, refrigerators, TVs, satellite dishes, stoves, heaters, and household generators. A common theme among residents is that most households were able to satisfy their pent up demand for such goods in 2003-04 and sales now have slowed to meet demand for replacements and new household formation. Consumers reportedly can purchase these higher priced products on "store credit" similar to rent-to-own schemes in the U.S., with implicit interest rates frequently over 40 percent.

¶4. A PRT trip to a large Wal-Mart type store suggests that many manufactured goods, such as personal products and apparel, originate in China and elsewhere. Shop owners expressed satisfaction with the quality and price of these goods at wholesale and retail outlets. They said customers seemed satisfied with quality.

¶5. Despite being a largely agricultural province, Babil's markets appear to stock many imported foodstuffs. Visits by officers to local produce markets in August and September revealed a variety of imported fruits and vegetables, primarily from Iran and Syria, and even bananas sporting Del Monte labels. Locally engaged staff (LES) at the Regional Embassy Office stated that Iraqi domestic agricultural products were also uncommon, with wholesalers importing most foodstuffs.

¶6. When asked why they prefer imports, some retailers responded unhesitatingly, "Because they're cheaper than domestic products." For instance, Fadhil Al-Kulaby, the proprietor of a large Wal-Mart-like store in Hillah, stated that he would not carry products from the Najaf ready-to-wear factory or the Hillah textiles factory because higher quality and much lower priced goods are available from China and other high volume, low cost producing countries. Several other business contacts also reported to the PRT and LES staff that Chinese producers, in particular, were facilitating Iraqis traveling to China specifically to arrange wholesale purchases directly from the manufacturer.

¶7. Supply and demand of consumer goods and foodstuffs appear balanced with prices being fairly stable over the last several

months. At the same time, the PRT has observed short term price spikes in most tracked foodstuffs based on seasonality and Iraqi holidays. However, these spikes generally even out over longer periods. For instance, the price of beef fell from approximately USD 5.90 per kilo to USD 5.20 per kilo after Ramadan, while the same occurred with oranges hitting USD 1.15 per kilo and subsequently dropping to just over USD 1.

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